

# EXHIBIT 1

Honorable Troy L. Nunley  
United States District Judge  
United States District Court for the Eastern District of California

Interim Report of Federal Receiver  
Kenneth R. Jones

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

Civil Case No. 2:23-cv-02812-TLN-DB

CB SURETY, LLC, et al.,

Defendants.

Interim Report of Federal Receiver  
July 2, 2024

On December 7, 2024, a temporary restraining order (“TRO” or “order”) was unsealed and appointed me as temporary receiver over the “CB Surety LLC, Peak Bakery LLC, Cascades Pointe at Clemson, LLC, KP Testing, LLC, Motion Media Marketing Inc., SJC Financial Services Inc., Reseller Consultants, Inc., Ambragold, Inc., Think Processing LLC, and Bass Business Consultants.” *See* ECF No. 7. On January 5, 2024, the Court issued an Order and Preliminary Injunction extending the receivership in this matter. *See* ECF Nos. 34–35.

This interim report focuses on a strategy to finalize fact finding for each of the Receivership Entities, which will likely result in an opinion regarding the level of legitimate activity for each of the Receivership Entities, as well as additional confirmation of activity consistent with the allegations contained in the Complaint.

## Table of Contents

<b>I. Strategy to Finalize Fact-finding: .....</b>	<b>3</b>
<b>II. Updated Fact-finding Summaries for Each Receivership Entity: .....</b>	<b>3</b>
<b>III. Identifying Potential Victims of the Alleged Scheme: .....</b>	<b>3</b>
<b>IV. Tax Update:.....</b>	<b>4</b>
<b>V. Expenses and Invoices: .....</b>	<b>4</b>
<b>Attachment: Summary of Tax Filing Activity for Receivership .....</b>	<b>6</b>

**I. Strategy to Finalize Fact-finding:**

To date, the Receivership has captured and analyzed a significant number of corporate records and data. There are two final areas to be analyzed: data requested from the Department of Justice (“DOJ”) and data in cloud-based environments utilized by the Receivership Entities. Once these steps have been completed, the Receivership does not anticipate receiving any additional large amounts of data needing analysis, with the possible exception of any additional bank records.

**Summary of “Receivership Entity corporate data” requested from DOJ**

Prior to the order establishing the Receivership, the U.S. Postal Inspection Service seized from the Defendants and/or Receivership Entities (a) devices (e.g., cell phones and computers), (b) data from hosted accounts (e.g., Amazon Web Services), and (c) hardcopy documents. The Receiver has requested any and all documents and data seized that are Receivership Entity property. The DOJ has agreed to provide certain information to the Receiver responsive to these requests and the transfer of those materials is in progress.

**Summary of “Receivership Entity corporate data” in cloud environments currently being obtained and analyzed:**

The Receivership’s digital forensic work has been extensive. We have preserved and processed data from more than 140 devices (phones and computers); dozens of hosted email accounts; dozens of accounts from cloud repositories such as Google Drive, Dropbox, and Microsoft Cloud; scans of hard copy materials; chat data from various messaging platforms (e.g., Telegram) and various LLC “storefront” websites related to the Receivership Entities. Thus far, the digital evidence includes more than 6.5 million documents. Our work is ongoing. We are currently in the process of gathering and/or analyzing additional data from LLC Storefront websites, Dropbox, DocuSign, Telegram, Skype, and the Amazon Web Services Cloud.

These two areas of analysis are critical, as several cloud-based environments are key to the operations of the Receivership Entities. In addition, the corporate records DOJ possesses will complete a picture of the nature and activities of the Receivership Entities.

**II. Updated Fact-Finding Summaries for Each Receivership Entity:**

Upon completion of the final collection and analysis of the above-mentioned data, the Receiver anticipates that only minimal further collection and analysis of data will be required. Once completed, an updated fact-finding summary of each Receivership Entity will be provided to the Court.

Aside from the aforementioned data, assessments of assets and financial transactions may continue along with tax reporting requirements.

**III. Identifying Potential Victims of the Alleged Scheme:**

To date, significant effort in the fact-finding into the Receivership Entities has included a focus on determining if a level of legitimate business exists and if so, at what level, as opposed to the level of activity consistent with the allegations of the government. However, as reported in my earlier reports, certain overt actions by the Receivership Entities are consistent with the Government’s allegations, such as:

- Instructing Resellers/LLC owners to mislead banks about advertisers/the original merchants being business managers and having full control of the reseller/LLC bank accounts;

- Shredding chargeback notices without sending them to international advertisers and often domestic advertisers; and
- The significant replenishment of new reseller/LLC owners to the 'advertisers' or true merchants, when financial institutions shut down the previous reseller/LLC owners due to excessive fraud allegations and chargebacks.

Consistent with the Court's Order to "[c]oordinate with the United States and Court personnel as needed to ensure that any Assets subject to the terms of this Order are available for criminal restitution, forfeiture, or other legal remedies in proceedings commenced by or on behalf of the United States," ECF No. 35, at 9, the Receiver is developing a working draft of potential categories of alleged victims.

Through the Receivership's fact-finding, the Receivership has identified three potential categories of alleged victims:

- Consumers;
- Reseller/LLC owners; and
- Financial Institutions.

#### **IV. Tax Update:**

The Receivership has made significant progress regarding the appropriate tax filings for each of the Receivership Entities. An updated chart showing tax-related activities for each Receivership Entity is attached to this Report.

#### **V. Expenses and Invoices:**

##### Receivership Expenses Summary through March 31, 2024

The total amount of funds spent through March 31, 2024, was \$297,227.50. Additionally, during this period, the Receivership incurred \$12,805.60 in out-of-pocket expenses.

##### Interviewing Employees

A large portion of the funds spent this month were spent on preparing for and interviewing employees. For three days in March, the Receiver and members of the Receivership Team traveled to the Reseller Consultants/Won it All office in Las Vegas, Nevada. There, we interviewed employees and facilitated the collection of personal items that had been previously left at the office when the premises were seized. Remote employees and those who were unable to make it to the office were interviewed via Zoom. A majority of both the hours expended and the out-of-pocket expenses this month were related to this trip. Findings from these interviews have been incorporated into previous interim reports.

##### Preparation of Taxes

Hourly fees have been incurred relating to the preparation and filing of extensions of federal and state tax returns for the various receivership entities. The status of the various tax returns can be seen in the "Tax Update" section of this report.

##### Evidence tracking and Preserving data

The Receiver incurred additional expenses related to the collection and preservation of documents found at various office and server locations. Examples of tasks included within this category are (1) Forensic imaging of laptops; (2) Scanning of hardcopy documents from Las Vegas and Dallas locations; (3) Coordination and capture of server information; and (4) Tracking and logging of various items found on

site and through the collection of UPS and mail packages containing documents and bank RSA tokens. Issues with obtaining passwords along with multi-factor authentication has led to additional funds being spent to secure information off various electronic devices. For more detail, please refer to the section *Strategy to Finalize Fact-finding* in my report above.

*Securing office locations*

Hourly fees were incurred to coordinate with property management, secure locations, rent/utility fees, and to shut down any office space that is no longer needed.

*Project Management*

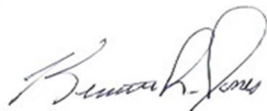
The final category of funds spent through March 31, 2024, is related to general project management. This includes internal meetings to coordinate priorities, discussions with counsel, and drafting of requests. A detailed invoice for time spent by the Receiver along with those I have deemed necessary is available at the request of the Court.

Detailed invoices for time spent by the Receivership team are available at the request of the Court.

Summary of Expenses for Receivership Counsel – March 2024

Through March 31, 2024, the Receiver incurred \$27,700.50 in expenses for professional services from counsel at DLA Piper LLP (US). These fees included analysis of the Court's order with respect to the Receivership's activities, preparing and serving subpoenas on financial institutions related to the Receivership Entities, conferring with counsel for Defendants, and conferring with the Department of Justice. A detailed invoice for time spent by Counsel is available at the request of the Court.

Respectfully submitted,



Kenneth R. Jones  
Receiver  
[Kenneth.Jones@alvarezandmarsal.com](mailto:Kenneth.Jones@alvarezandmarsal.com)  
(272) 245-0176

Attachment: Summary of Tax Filing Activity for Receivership Entities

**Summary of Tax Filing Activity for Receivership**

Entity	CB Surety LLC	Peak Bakery LLC	Cascades Pointe at Clemson, LLC	KP Testing, LLC	Motion Media Marketing, Inc.	SJC Financial Services, Inc.	Reseller Consultants Inc.	Ambragold, Inc.	Think Processing LLC
EIN	83-0830133	83-1854190	26-4151901	38-3935154	87-1014358	45-4882266	86-1864826	46-1793200	35-2715900
Determined state where entity was formed for state filing requirements	NC	NC	SC	VA	CA	CA	NV	NV / FL	WY
Notified IRS of Receivership (Form 56)	Completed - Mailed on 5/22/2024	Completed - Mailed on 5/22/2024	Completed - Mailed on 5/22/2024	Completed - Mailed on 5/22/2024	Completed - Mailed on 4/19/2024	Completed - Mailed on 4/19/2024	Completed - Mailed on 5/22/2024	Completed - Mailed on 5/22/2024	Completed - Mailed on 4/19/2024
Sent Change of Address form to IRS (Form 8822-B)	Completed - Mailed on 6/11/2024	Completed - Mailed on 6/4/2024	Completed - Mailed on 5/22/2025	Completed - Mailed on 6/11/2024	Completed - Mailed on 4/19/2024	Completed - Mailed on 4/19/2024	Completed - Mailed on 5/22/2024	Completed - Mailed on 5/22/2024	Completed - Mailed on 4/19/2025
Reviewed most recent federal income tax return (if available)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2021 / 2022 reviewed
Requested copies of prior year tax returns from IRS (Form 4506)	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response
Requested transcript (account status) from IRS (Form 4506-T)	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response	Completed - Mailed on 5/22/2024 Waiting for Response
Federal Income Tax Extensions filed	Entity type unknown - Tax Returns to be filed after determination	Entity type unknown - Tax Returns to be filed after determination	Entity type unknown - Tax Returns to be filed after determination	Entity type unknown - Tax Returns to be filed after determination	Completed - Mailed on 4/12/2024	Completed - Mailed on 4/12/2024	Completed - Mailed on 5/6/2024	N/A for 2023	Completed - Mailed on 4/12/2024